

Auditing Procedures Report

Instructions and MuniCodes

* = Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* BAY TOWNSHIP	County* CHARLEVOIX	Type* TOWNSHIP	MuniCode* 15-1-010
Opinion Date-Use Calendar* Jul 9, 2008	Audit Submitted-Use Calendar* Sep 12, 2008	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies? 19. If so, was it attached to the audit report?

General Fund Revenue:	? \$ 272,099.00
General Fund Expenditure:	? \$ 225,321.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$ 389,981.00
Governmental Activities Long-Term Debt (see instructions):	? \$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* VEL	Last Name* KAMMERMAN	Ten Digit License Number* 1101012482		
CPA Street Address* 110 PARK AVE	City* CHARLEVOIX	State* MI	Zip Code* 49720	Telephone* +1 (231) 547-4911
CPA Firm Name* MASON & KAMMERMAN, P.C.	Unit's Street Address* 05045 BOYNE CITY ROAD	Unit's City* BOYNE CITY	Unit's Zip* 49712	

BAY TOWNSHIP
CHARLEVOIX COUNTY, MICHIGAN

FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
for the year ended March 31, 2008

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

Bay Township

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MASON & KAMMERMANN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
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INDEPENDENT AUDITOR'S REPORT

July 9, 2008

Members of the Township Board
Bay Township
Boyne City, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Bay Township of Charlevoix County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bay Township as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mason & Kammermann, P.C." in a cursive, flowing script.

Mason & Kammermann, P.C.
Certified Public Accountants

Bay Township

Management's Discussion & Analysis July 9, 2008

This section of Bay Township's annual financial report presents our discussion and analysis of the financial performance of the Township during the fiscal year ended March 31, 2008.

Overview of the Financial Statements

This discussion and analysis introduces the Township's basic financial statements that follow this section. These financial statements comply with Governmental Accounting Standards Board Statement 34 (GASB 34). Bay Township's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and the notes to the financial statements. Additionally, this report also contains other supplementary information to the basic financial statements.

Government-wide Statements

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The Statement of Net Assets presents information on all of Bay Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Bay Township is improving or deteriorating.

The Statement of Activities presents changes in the government's net assets during the most recent fiscal year, on the accrual basis of accounting.

Fund Financial Statements

The fund financial statements provide information separated into related areas to demonstrate how resources have been allocated for specific activities or functions. Bay Township, like other governmental entities, uses fund accounting to ensure compliance with the requirements of accounting standards and laws. Bay Township uses two categories of funds, which are governmental and fiduciary funds.

Bay Township

Management's Discussion & Analysis July 9, 2008

Governmental Funds

Governmental funds are used to account for essentially the same functions as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Bay Township maintains two major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and road funds.

The Township adopts an annual appropriated budget for its general and road funds. A budgetary comparison statement has been provided for the general and road funds to demonstrate compliance with these budgets.

Fiduciary Funds

Fiduciary funds are used to account for resources collected and held for the benefit of the Township and other governmental units outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs.

Bay Township

Management's Discussion & Analysis July 9, 2008

Financial Analysis of the Township as a Whole

The table below shows, in a condensed format, the Township's net assets as of March 31, 2008 and 2006:

	<u>2008</u>	<u>2006</u>
<u>Assets</u>		
Current Assets	\$ 542,760	\$ 468,193
Noncurrent Assets		
Capital Assets, net	<u>180,092</u>	<u>140,501</u>
Total Assets	722,852	608,694
<u>Liabilities and Net Assets</u>		
Current Liabilities	<u>6,047</u>	<u>7,005</u>
Net Assets		
Invested in Capital Assets, net	180,092	140,501
Restricted	146,732	125,157
Unrestricted	<u>389,981</u>	<u>336,031</u>
Total Net Assets	<u>\$ 716,805</u>	<u>\$ 601,689</u>

The total governmental net assets are \$716,805 for the Township. The township has \$389,981 of unrestricted governmental net assets, which could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Bay Township

Management's Discussion & Analysis July 9, 2008

The following table shows how activities affected changes in net assets during the fiscal years ending March 31, 2008 and 2006.

	2008	2006
Revenues:		
Program Revenues		
Charges for services	\$ 6,991	\$ 9,315
General Revenues:		
Property taxes	246,543	216,088
Administrative fees	44,770	39,996
State shared revenues	73,477	72,131
Interest	23,697	16,381
Other	6,650	3,059
Total revenues	402,128	356,970
Expenses:		
Legislative	25,564	28,005
General government	65,595	62,519
Public safety	80,645	69,074
Public works	126,801	80,126
Health and welfare	2,965	675
Community and economic development	29,784	27,751
Recreation and culture	8,686	1,685
Total expenses	340,040	269,835
Change in net assets	\$ 62,088	\$ 87,135

Revenue sources and changes

Total revenue from governmental activities totaled \$402,128. Revenue from governmental activities consists primarily of, 61.3% from property taxes, 18.3% from state revenue sharing and 11.1% from administrative fees. The millage rates for general operations and road improvements were .9377 and .9904 mills, respectively.

Expenses

Using the full accrual basis of accounting, the Township spent \$340,040 on governmental activities. This equates to 37.3% on public works, 23.7% on public safety, 19.3% on general government, 7.5% on legislative activities, 8.8% on community and economic development, 2.6% on recreation and culture and .8% on health and welfare.

Bay Township

Management's Discussion & Analysis July 9, 2008

Financial Analysis of the Township's Funds

At March 31, 2008, the Township's governmental funds reported combined cash of \$516,151, which is approximately \$64,790 more than the last audited year.

Revenues in the General Fund exceeded expenditures by \$46,778, which was due to revenues exceeding budgeted amounts and expenditures being less than amounts budgeted.

The Road Fund had a \$7,582 increase in its fund balance this year. This was due to the cost of road improvements being less than projected and revenues exceeding expected amounts.

General Fund Budgetary Highlights

The Uniform Budget Act of the State of Michigan requires that the Board approve the original budget for the upcoming fiscal year prior to its starting on April 1. Any amendments made to the operating budget must be approved by the Board prior to the close of the year on March 31.

The following schedule shows a comparison of the original fund budget, the final amended general fund budget and actual totals from operations:

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Total Revenues	\$ 242,038	\$ 242,038	\$ 272,099	\$ 30,061
Total Expenditures	355,825	355,825	225,321	130,504
Net Change in Fund Balance	<u>\$ (113,787)</u>	<u>\$ (113,787)</u>	<u>\$ 46,778</u>	<u>\$ 160,565</u>

There was no change in the Total Revenue Original Budget to the Final Budget. However, there was a reallocation of \$3,000 from budgeted contingency funds to the fire protection contract in the Total Expenditures Original Budget to the Final Budget.

Capital Assets

At fiscal year ended March 31, 2008, the Township has \$180,092 in capital assets, net of accumulated depreciation.

Bay Township

Management's Discussion & Analysis July 9, 2008

Capital assets include all purchases of assets that exceed \$1,000. Capital assets include: land and improvements, buildings and improvements, road signs and equipment. The Township uses straight-line depreciation for all depreciable assets.

Long-Term Debt

The Township had no outstanding long-term debt for governmental activities as of March 31, 2008.

Requests for Information

This financial report is designed to provide a general overview of Bay Township's finances for all of those with an interest in the township's finances. If you have questions concerning this report or requests for any additional financial information, please contact Bay Township, 05045 Boyne City Rd., Boyne City, Michigan, 49712.

Bay Township

Statement of Net Assets March 31, 2008

	Governmental Activities
<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 516,151
Due from other funds	8,539
Taxes receivable	<u>18,070</u>
Total current assets	542,760
Noncurrent Assets	
Capital assets	304,232
Less accumulated depreciation	<u>(124,140)</u>
Total noncurrent assets	<u>180,092</u>
Total assets	<u>722,852</u>
<u>Liabilities and Net Assets</u>	
Current Liabilities	
Accounts payable	4,290
Accrued payroll taxes	<u>1,757</u>
Total liabilities	6,047
Net Assets	
Invested in capital assets	180,092
Restricted	146,732
Unrestricted	<u>389,981</u>
Total net assets	<u>\$ 716,805</u>

The accompanying notes are a part of the financial statements.

Bay Township

Statement of Activities For The Year Ended March 31, 2008

		Program Revenues			Net Revenue (Expense) and Change in Net Assets
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
	Expenses				Total
Governmental Activities:					
Legislative	\$ 25,564	\$ -	\$ -	\$ -	\$ (25,564)
General government	65,595	-	-	-	(65,595)
Public safety	80,645	-	-	-	(80,645)
Public works	126,801	-	-	-	(126,801)
Health and welfare	2,965	-	-	-	(2,965)
Community & economic development	29,784	6,991	-	-	(22,793)
Recreation and culture	8,686	-	-	-	(8,686)
Total Government Activities	<u>\$340,040</u>	<u>\$ 6,991</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(333,049)</u>
General Revenues:					
Property taxes					246,543
Administrative fees					44,770
State shared revenues					73,477
Interest					23,697
Other					6,650
Total general revenues					<u>395,137</u>
Change in Net Assets					62,088
Net Assets - April 1, 2007					<u>654,717</u>
Net Assets - March 31, 2008					<u>\$ 716,805</u>

The accompanying notes are a part of the financial statements.

Bay Township

Governmental Funds Balance Sheet March 31, 2008

<u>Assets</u>	<u>General Fund</u>	<u>Road Fund</u>	<u>Total</u>
Cash and cash equivalents	\$ 377,598	\$ 138,553	\$ 516,151
Due from other funds	8,539	-	8,539
Taxes receivable	9,891	8,179	18,070
Total assets	<u>\$ 396,028</u>	<u>\$ 146,732</u>	<u>\$ 542,760</u>
 <u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	\$ 4,290	\$ -	\$ 4,290
Accrued payroll taxes	1,757	-	1,757
Total liabilities	6,047	-	6,047
Fund equity:			
Unrestricted	389,981	-	389,981
Restricted	-	146,732	146,732
Total fund equity	<u>389,981</u>	<u>146,732</u>	<u>536,713</u>
Total liabilities & fund equity	<u>\$ 396,028</u>	<u>\$ 146,732</u>	<u>\$ 542,760</u>

The accompanying notes are a part of the financial statements.

Bay Township

Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets March 31, 2008

Total Fund Balances - Governmental Funds	\$	536,713
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds balance sheet.

Cost of capital assets	304,232
Accumulated depreciation	<u>(124,140)</u>

Total Net Assets - Governmental Activities	<u>\$</u>	<u>716,805</u>
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The accompanying notes are a part of the financial statements.

Bay Township

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances For The Year Ended March 31, 2008

	General Fund	Road Fund	Total
Revenues:			
Property taxes	\$ 120,364	\$ 126,179	\$ 246,543
Administrative fees	44,770	-	44,770
State shared revenue	73,477	-	73,477
Licenses and permits	6,991	-	6,991
Interest	19,847	3,850	23,697
Other	6,650	-	6,650
	<hr/>	<hr/>	<hr/>
Total revenues	272,099	130,029	402,128
	<hr/>	<hr/>	<hr/>
Expenditures:			
Current:			
Legislative	25,564	-	25,564
General government	61,863	-	61,863
Public safety	80,645	-	80,645
Public works	4,354	122,447	126,801
Health and welfare	2,965	-	2,965
Community & economic development	29,784	-	29,784
Recreation and culture	2,622	-	2,622
	17,524	-	17,524
	<hr/>	<hr/>	<hr/>
Total expenditures	225,321	122,447	347,768
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	46,778	7,582	54,360
Fund Balances - April 1, 2007	343,203	139,150	482,353
	<hr/>	<hr/>	<hr/>
Fund Balances - March 31, 2008	<u>\$ 389,981</u>	<u>\$ 146,732</u>	<u>\$ 536,713</u>

The accompanying notes are a part of the financial statements.

Bay Township

Governmental Funds Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For The Year Ended March 31, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ 54,360
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives	17,524
Depreciation expense is recorded in the statement of activities but not the governmental fund financial statements	<u>(9,796)</u>
Changes in Net Assets - Governmental Activities	<u>\$ 62,088</u>

The accompanying notes are a part of the financial statements.

Bay Township

Fiduciary Fund Statement of Net Assets March 31, 2008

Assets

Cash

\$ 8,539

Liabilities

Due to Other Funds

\$ 8,539

The accompanying notes are a part of the financial statements.

Bay Township

Fiduciary Fund Statement of Changes in Fiduciary Net Assets For The Year Ended March 31, 2008

Additions:

Property Tax Collections for:	
Primary Government	\$ 269,508
Other Governments	3,701,940
Interest Income	<u>7,560</u>
Total Additions	<u>3,979,008</u>

Deductions:

Property Tax Distributions for:	
Primary Government	281,304
Other Governments	<u>3,697,704</u>
Total Distributions	<u>3,979,008</u>

Change in Net Assets	-
Fiduciary Net Assets - April 1, 2007	<u>-</u>
Fiduciary Net Assets - March 31, 2008	<u><u>\$ -</u></u>

The accompanying notes are a part of the financial statements.

Bay Township

Notes To Financial Statements For The Year Ended March 31, 2008

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Bay Township (Township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Bay Township.

A. Reporting Entity

The Township operates under a Board-Supervisor form of government.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Local Unit (primary government). The criteria established by the GASB statements for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Bay Township

Notes To Financial Statements For The Year Ended March 31, 2008

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when the government receives cash.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, and then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets are current in nature and are reported with current assets and current liabilities in the financial statements.

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Fund – The Road Fund was established to account for millage voted by the taxpayers that have been restricted for township road improvements.

Agency Fund – The Agency Fund is used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Bay Township

Notes To Financial Statements For The Year Ended March 31, 2008

D. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

Cash and cash equivalents are comprised of the amount of funds in bank accounts and certificates of deposit.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives.

Buildings and Improvements	40 years
Equipment	5 years
Land Improvements	20 years

Long-term Obligations

As of March 31, 2008, the Township has no outstanding long-term debt.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties or for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Bay Township

Notes To Financial Statements For The Year Ended March 31, 2008

Use of Estimates

The Township used estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to March 15, the Township Board submits a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
3. Prior to March 31, the budget is legally enacted.
4. The Township Board is authorized to transfer budgeted amounts between departments within any fund. In addition, the Township Board must approve any revisions that alter the total expenditures of any fund.
5. Formal budgetary integration is employed as a management control device during the year for the General and Road Funds.
6. All budgets are adopted on a basis consistent with generally accepted accounting principles.
7. Appropriations expire at the end of the fiscal year.

Excess of Expenditures over Appropriations in Budgeted Funds

The Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, (MCL 141.421 et seq.) provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Bay Township's budgeted and actual expenditures for the funds budgeted have been shown on a functional basis.

Bay Township

Notes To Financial Statements For The Year Ended March 31, 2008

During the year, the Township did not incur expenditures in the General and Road Funds in excess of the amounts appropriated.

Accumulated Fund Deficits

The Bay Township had no funds with an accumulated fund balance/retained earnings deficit at March 31, 2008.

NOTE 3 – PROPERTY TAXES

Property taxes are levied on July first and December first and are payable on September and February fourteenth, respectively. Property tax revenues are recognized when levied.

The Township levied .9377 mills for the general operations and .9904 mills for road improvements on state taxable valuation of \$127,614,920 on the 2007 tax roll.

The Township also bills and collects taxes for other governmental units, which are accounted for in an Agency Fund.

NOTE 4 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan

Deposits – At March 31, 2008, the carrying amount of the Township's deposits and certificates of deposit was \$516,151.

Federal Depository Insurance – Of the above balances, \$100,000 was covered by federal depository insurance and U.S. Government guarantees. The remaining \$416,151 was uninsured and uncollateralized. State statutes prohibit security in the form of collateral, surety bonds or another form to be taken for the deposit of public funds. The Township may experience significant fluctuations in deposit balances during the year.

Bay Township

Notes To Financial Statements For The Year Ended March 31, 2008

NOTE 5 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	Balance of April 1, 2007	Additions	Disposal	Balance of March 31, 2008
Capital assets not being depreciated				
Land	\$ 82,630	-	-	\$ 82,630
Capital assets being depreciated				
Land improvements	117,293	3,985	-	121,278
Buildings and improvements	35,693	-	-	35,693
Equipment and furniture	51,092	13,539	-	64,631
Total capital assets	286,708	17,524	-	304,232
Less accumulated depreciation	(114,344)	(9,796)	-	(124,140)
Total capital assets	\$ 172,364	\$ 7,728	\$ -	\$ 180,092

Depreciation expense was charged to the Township's functions as follows:

General Government	\$ 3,732
Recreation & Culture	6,064
Total	<u>\$ 9,796</u>

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 8,539	\$ -
Agency Fund	-	8,539
Totals	<u>\$ 8,539</u>	<u>\$ 8,539</u>

NOTE 7 – FUND EQUITY RESERVATIONS AND DESIGNATIONS

The Road Fund has fund equity of \$146,732 restricted for road improvements.

Bay Township

Notes To Financial Statements For The Year Ended March 31, 2008

NOTE 8 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; error and omissions; injuries to employees and natural disasters.

The Township carries insurance for liability and workers compensation coverage.

Bay Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 113,238	\$ 113,238	\$ 120,364	\$ 7,126
Administrative fees	43,200	43,200	44,770	1,570
State shared revenues	70,000	70,000	73,477	3,477
Licenses and permits	7,000	7,000	6,991	(9)
Interest	6,000	6,000	19,847	13,847
Other	2,600	2,600	6,650	4,050
Total revenues	242,038	242,038	272,099	30,061
Expenditures:				
Legislative				
Township Board				
Per diem	5,000	5,000	2,140	2,860
Payroll taxes	3,500	3,500	3,219	281
Supplies	2,250	2,250	2,590	(340)
Professional services	26,500	26,500	10,605	15,895
Dues and subscriptions	1,800	1,800	1,896	(96)
Worker's compensation	500	500	324	176
Insurance	7,500	7,500	3,785	3,715
Contingency	15,000	12,000	-	12,000
Other expenses	1,300	1,300	1,005	295
Total legislative	63,350	60,350	25,564	34,786
General Government				
Township Supervisor				
Salary	6,500	6,500	6,500	-
Other expenses	300	300	21	279
Total township supervisor	6,800	6,800	6,521	279
Elections				
Salary	3,000	3,000	1,062	1,938
Other expenses	550	550	61	489
Total elections	3,550	3,550	1,123	2,427
Township Assessor				
Contracted services	17,500	17,500	16,600	900
Supplies	1,500	1,500	1,121	379
Other expenses	1,650	1,650	508	1,142
Total township assessor	20,650	20,650	18,229	2,421

Bay Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Township Clerk				
Salary	10,350	10,350	10,350	-
Other expenses	1,150	1,150	459	691
Total township clerk	11,500	11,500	10,809	691
Township Board of Review				
Per diem	800	800	585	215
Other expenses	700	700	290	410
Total board of review	1,500	1,500	875	625
Township Treasurer				
Salary	10,975	10,975	10,975	-
Supplies	2,500	2,500	2,217	283
Printing and publishing	3,000	3,000	1,302	1,698
Other expenses	400	400	75	325
Total township treasurer	16,875	16,875	14,569	2,306
Building and Grounds				
Supplies	2,500	2,500	1,890	610
Snow removal	750	750	1,042	(292)
Repairs and maintenance	5,000	5,000	2,295	2,705
Utilities	2,700	2,700	2,091	609
Total building and grounds	10,950	10,950	7,318	3,632
Cemetery				
Wages	2,000	2,000	1,096	904
Repairs and maintenance	2,000	2,000	165	1,835
Supplies	600	600	340	260
Other expenses	700	700	818	(118)
Total cemetery	5,300	5,300	2,419	2,881
Total General Government	77,125	77,125	61,863	13,324
Public Safety				
Fire protection	78,000	81,000	80,645	355
Public Works				
Road maintenance	7,500	7,500	4,354	3,146

Bay Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - General Fund For The Year Ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Health and Welfare				
Ambulance	3,000	3,000	2,965	35
Community & Economic Develop. Planning & Zoning				
Per diem	11,500	11,500	8,640	2,860
Contracted services	27,000	27,000	19,481	7,519
Training	1,950	1,950	797	1,153
Other expenses	1,900	1,900	866	1,034
Total community & economic development	42,350	42,350	29,784	12,566
Recreation and Culture				
Township Parks:				
Wages	1,500	1,500	1,096	404
Repairs and maintenance	2,000	2,000	1,526	474
Total recreation and culture	3,500	3,500	2,622	878
Capital outlay	81,000	81,000	17,524	63,476
Total expenditures	355,825	355,825	225,321	130,504
Net Change in Fund Balance	(113,787)	(113,787)	46,778	160,565
Fund Balance - April 1, 2007	343,203	343,203	343,203	-
Fund Balance - March 31, 2008	\$ 229,416	\$ 229,416	\$ 389,981	\$ 160,565

Bay Township

Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison - Road Fund For The Year Ended March 31, 2008

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 113,000	\$ 113,000	126,179	\$ 13,179
Interest income	1,800	1,800	3,850	2,050
Total revenues	114,800	114,800	130,029	15,229
Expenses:				
Public Works				
Road improvements	128,000	128,000	122,447	5,553
Net Change in Fund Balance	(13,200)	(13,200)	7,582	20,782
Fund Balance - April 1, 2007	139,150	139,150	139,150	-
Fund Balance - March 31, 2008	<u>\$ 125,950</u>	<u>\$ 125,950</u>	<u>\$ 146,732</u>	<u>\$ 20,782</u>

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

110 Park Avenue
Charlevoix, Michigan 49720
Telephone (231) 547-4911
Facsimile (231) 547-5911

July 9, 2008

To the Board of Trustees
Bay Township

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bay Township for the year ended March 31, 2008, and have issued our report thereon July 9, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Bay Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 9, 2008.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Trustees and management of Bay Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Mason & Kammermann, P.C.
Mason & Kammermann, P.C.
Certified Public Accountants

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

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July 9, 2008

To the Township Board
Bay Township
Bay Township, Michigan

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bay Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Bay Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected during normal activities.

Preparation of Financial Statements

During the course of our audit, it was noted employees and/or management have limited technical expertise to prepare the Township's financial statements and notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. The preparation of the Township's financial statements and notes in accordance with accounting principles generally accepted in the United States of America is the responsibility of management. Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to the financial statements, in conforming with accounting principles generally accepted in the United States of America.

The Township, as is common with smaller entities, has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with accounting principles generally accepted in the United States of America is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal controls.

The result of this condition is that the Township lacks internal controls over the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and instead relies, in part, on its external auditors for assistance with this task.

This communication is intended solely for the information and use of management, the Board of Trustees, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


Mason & Kammermann, P.C.
Certified Public Accountants